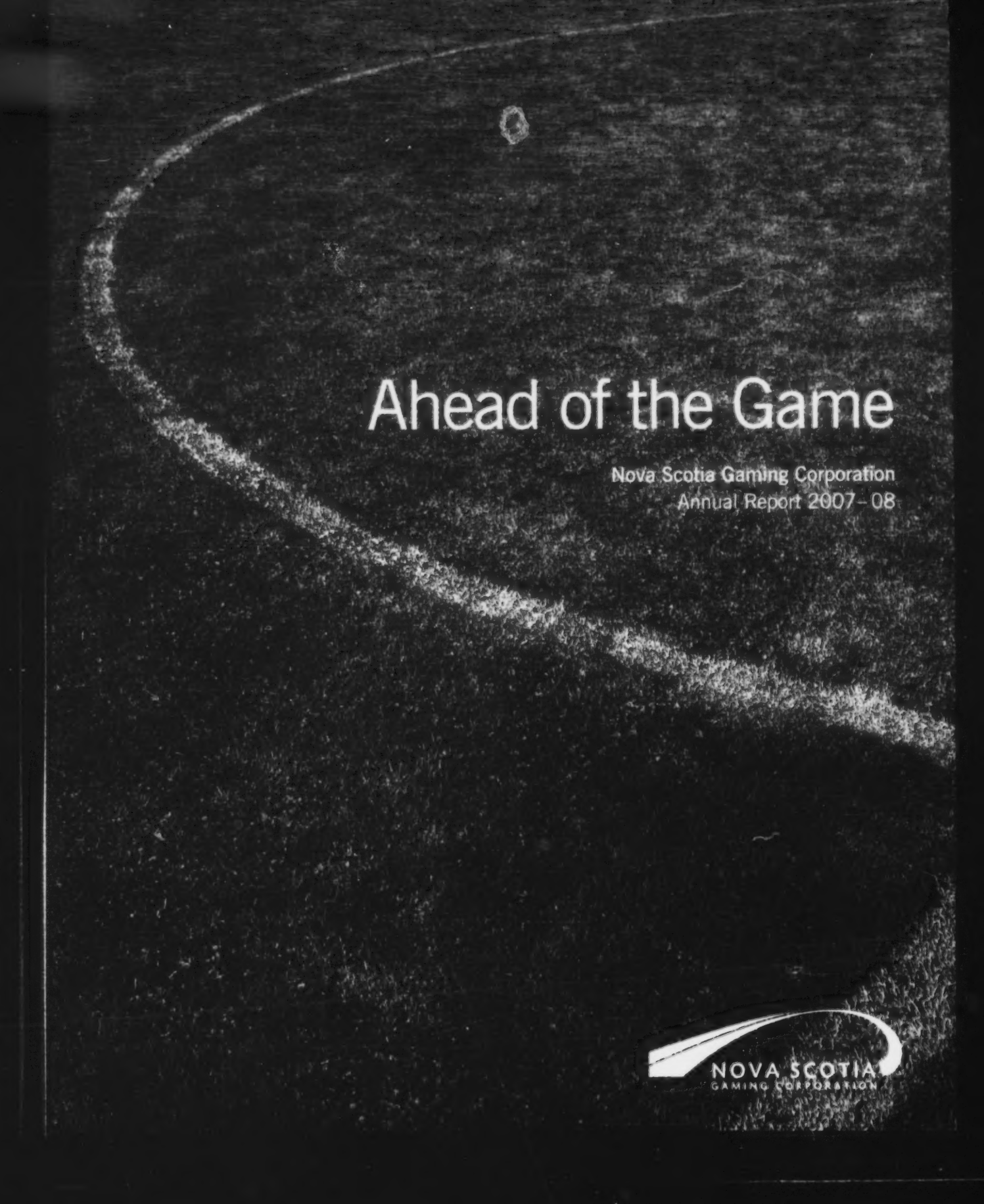
Ahead of the Game
Nova Scotia Gaming Corporation
Annual Report 2007 - 08
NOVA SCOTIA
GAMING CORPORATION

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NOVA SCOTIA
GAMING CORPORATION

Introduction

2007–08 Highlights

Like a professional sport, the business of gaming has many key players. Our job is to watch over the field, so that everybody stays ahead of the game.

In the world of sports, coaches are an important part of the game. They provide leadership, create strategies for single plays, entire games and complete seasons. They help players leverage their strengths and where needed, help them become better. They facilitate and occasionally call a time-out to come onto the field and address any issues. And most importantly, they bring the team together, to provide the vision, expertise and the game plan so that everybody benefits. At the Nova Scotia Gaming Corporation (NSGC), we are the coach for Nova Scotia's gambling industry. We work with our players, the operators — Atlantic Lottery Corporation (ALC) and Casino Nova Scotia (CNS) — to ensure they're at the top of their game, keeping an eye on each play as well as the challenges and opportunities that lie ahead in the season.

This Annual Report is a summary of our year. It shows how we worked with our players to create a socially responsible industry that Nova Scotians can be proud of, and it posts some of our most important statistics, including how we delivered the best business results to generate revenues for the benefit of the Province. We are proud of this season, and hope you enjoy this recap of our strategy, important plays and final results.

Our Season in Review

Leading a stronger industry for the benefit of Nova Scotians

At NSGC, staying ahead of the game means dedication, leadership and upholding our commitment to Nova Scotians to manage the business of gaming in a way that brings positive benefits to the Province. NSGC is motivated by our promise to deliver the best business results, while maintaining a focus on balancing economic sustainability and social responsibility. Our objective is to ensure that Nova Scotians, as our shareholder, are the ones who benefit.

In meeting our business objectives and our commitments to Nova Scotians, NSGC strives to make Nova Scotia's gambling industry one of the most progressive in the world. Yet as we become recognized globally, NSGC's role could be better understood here at home and, as a result, we are often looking for new ways to explain who we are and what we do. This year, I started using a sports analogy to help illustrate NSGC's place within the gaming industry in the Province. If the industry itself is the playing field, NSGC is the coach. In order to be successful, we must play within the rules set out by the league, in this case, the Government. NSGC provides vision, strategy and guidance to a team of players to help lead them to success. The team is comprised of the operators, Atlantic Lottery Corporation (ALC) and Casino Nova Scotia (CNS). Our shared goal of creating a strong industry through good management and innovative, responsible products that generate revenue for the Province unites us to perform at our best. In our role as coach, NSGC takes that accountability very seriously.

> "NSGC is motivated by our promise to deliver the best business results, while maintaining a focus on balancing economic sustainability and social responsibility. Our objective is to ensure that Nova Scotians, as our shareholder, are the ones who benefit."
>
> **Marie T. Mullally**, President & CEO

NSGC is proud to be a key contributor to Nova Scotia. All profits from regulated gambling go directly back to Nova Scotia taxpayers, helping to pay for valuable programs and services including healthcare, roads and schools. This year, NSGC's profits were $153.6 million, which was provided to Government to fund these important programs. Whether it is through the generation of revenues, our Charitable Sector Support Program that provides local charities with tools to maximize their fundraising efforts, or our Social Responsibility Ambassador Program that encourages our employees to donate their time to the communities in which they live, giving back at NSGC is an important part of what we do.

As with any business, each year at NSGC brings unique challenges, opportunities, successes and learning experiences. This year was no exception; we experienced a season that included both wins and losses.

Some of our notable successes in 2007–08 included the decision to move forward with the video lottery Informed Player Choice System (IPCS). Nova Scotia is the first jurisdiction in the world to test and implement an interactive player information tool. Players will be able to access personalized information about how much time and money they spend on gambling. This supports our goal of having the most informed players in the world. NSGC's aim is that an increased knowledge of our products will help the public and our players know their odds of winning and losing, what responsible behaviour looks like, and the signs of problem gambling. This will help people make informed decisions if they choose to gamble.

Another notable achievement for NSGC and for all Nova Scotians is the success of our dedicated funding program, *Support 4 Sport*, where 100 per cent of profits from themed lottery tickets go directly to Sport Nova Scotia to help fund amateur sport. I am so pleased to note that we will meet our commitment this year, with approximately $2 million in funding going to support amateur sport at all levels. We are proud to play a part in encouraging a healthier and stronger Nova Scotia.

In 2007–08, NSGC provided $2 million to help fund amateur sport in Nova Scotia through its *Support 4 Sport* Program.

NSGC has also faced some challenges this year. The retailer wins issue, which saw retailers winning at rates higher than statistically expected, was a serious wake-up call for the industry worldwide. As steward of the industry in Nova Scotia, and in our role as coach, we knew we had to get to the heart of the issue. In fact, NSGC was the first jurisdiction in the world to take immediate steps to address the problem, calling for a review of ticket lottery procedures in this province within a day after the issue came to light. We also led the way, partnering with the other three Atlantic provinces to launch a proactive and thorough review of other areas of the lottery business. We have worked with ALC to ensure all operations and the system are as secure as possible. Our number one priority is the security and fairness of the system.

NSGC had a season that included both wins and losses, but our commitment to leading and building the best possible industry for our province has never wavered. As CEO, that makes me proud of all the players involved. We're one team, working together for every Nova Scotian.

This dedication and leadership is particularly noteworthy amongst our Board members. I offer my sincere thanks to them, and my well wishes to our two departing members who have each served for seven years, Stephen Mont and 2007-08 Chair, John Khattar. I also want to take this opportunity to thank NSGC employees for their hard work and belief in the importance of our mandate, and for their own contributions to making Nova Scotia a better place.

Marie T. Mullally, FCA
President & CEO

"Nova Scotians benefit from a regulated gambling industry where business results are balanced with social responsibility. All profits go directly back to taxpayers to help fund important programs and services. I believe this is an important contribution that NSGC makes and I am pleased to play a role in this."

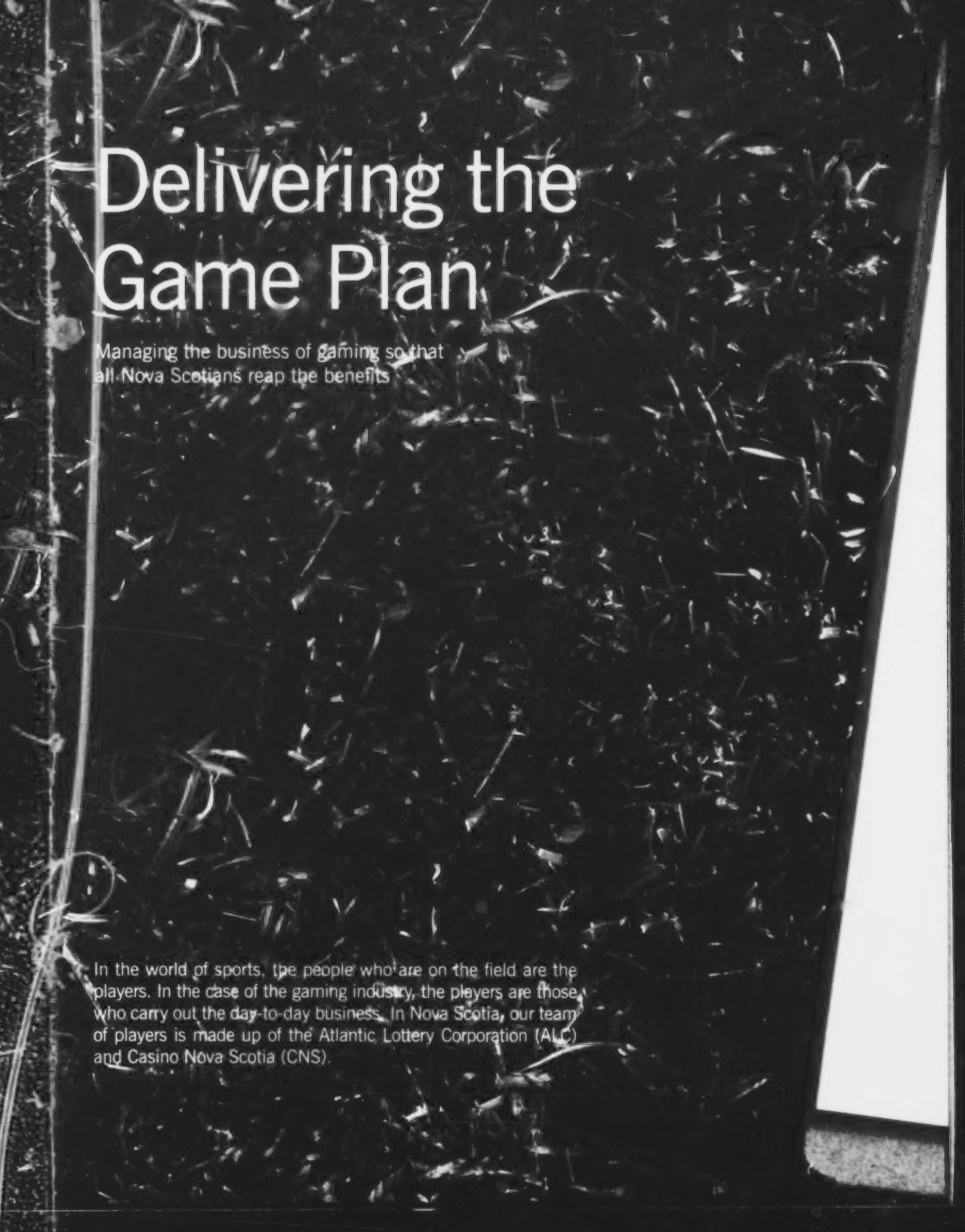
Gordon Gillis, Chair, NSGC Board

(bottom row l-r)
Gordon Gillis, Incoming Chair; Marie Mullally, President & CEO; John Khattar, Q.C., Outgoing Chair

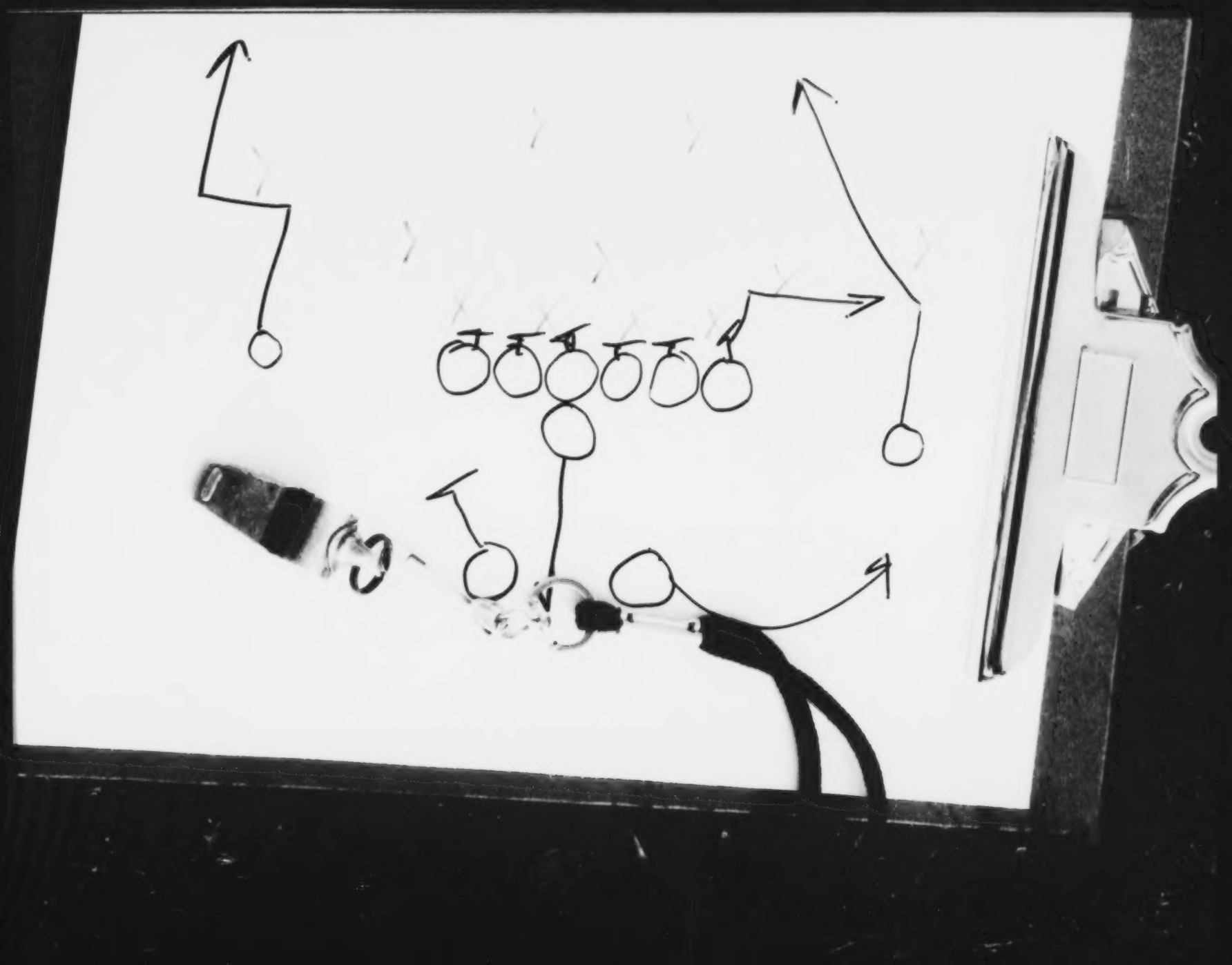
(top row l-r)
Charles Cox, Director; Merlin Fownes, Director; Stephen Mont, Director

Delivering the Game Plan

Managing the business of gaming so that all Nova Scotians reap the benefits



In the world of sports, the people who are on the field are the players. In the case of the gaming industry, the players are those who carry out the day-to-day business. In Nova Scotia, our team of players is made up of the Atlantic Lottery Corporation (ALC) and Casino Nova Scotia (CNS).



"The popularity and excitement of live poker is evident in Nova Scotia with the opening of a full service poker room in Halifax. We are proud to have poker on our gaming floor in Halifax. It's just one of the many gaming, entertainment, and food and beverage offerings available."

Nicholas Girgulis, General Manager, Casino Nova Scotia

BUILDING AN INDUSTRY AND A BETTER PROVINCE

In 2007–08, NSGC worked with Atlantic Lottery Corporation (ALC) and Casino Nova Scotia (CNS) to ensure everyone followed the overarching principles of economic sustainability and social responsibility in order to create a gambling environment that Nova Scotians could not only be proud of, but cheer for... because when this team is victorious, we all benefit.

As steward of the gambling industry, NSGC advises, guides and monitors its operators, just as a coach would do for its players. The end goal is to create a mutually beneficial situation for all involved. For NSGC, ALC and CNS, this means working every day to achieve the best business results for the benefit of the Province, while balancing economic sustainability and social responsibility. And this year, they did just that. In 2007–08, the Government received $153.6 million in profits from NSGC. All of the profits — every single dollar — go directly back to taxpayers by paying for programs and services including healthcare, roads, schools and cultural industries to help create a better Nova Scotia. And, to help Government achieve their vision for a new Nova Scotia — a province that is economically sustainable and socially responsible.

From developing unique and responsible products for customers, to fostering gambling environments that focus on entertainment and social responsibility, it's been a year of growth and change for NSGC and its operators.

Working to truly become Atlantic Canada's premiere entertainment destination, the casino brought in top musical and entertainment acts to the properties in Halifax and Sydney. Casino customers experienced the talents of Joan Rivers, Loverboy and Boyz II Men, just to name a few. And if big name acts weren't enough, casino visitors were treated to free live entertainment that was offered several nights a week on the gaming floor.

Whether casino patrons were playing the new Texas Hold'em Bonus Poker that was brought to the Halifax Casino in May 2007, enjoying the two new poker tables that were added to the Sydney Casino in April 2007, or joining in on the exciting poker and slot tournaments that were held throughout the year, there certainly was buzz on the gaming floor. With first class facilities, a broad array of gaming opportunities, restaurant options and exciting shows and entertainment, this is the kind of energy that helped Nova Scotia's casinos live up to being Atlantic Canada's premiere entertainment destination.

"The Nova Scotia Gaming Corporation led the introduction of video lottery policies this year, which will increase the overall player experience through site improvements, customer service enhancements and social responsibility standards."

Adrienne O'Pray, Senior Vice President,
Customer Relations & Operations, Atlantic Lottery Corporation

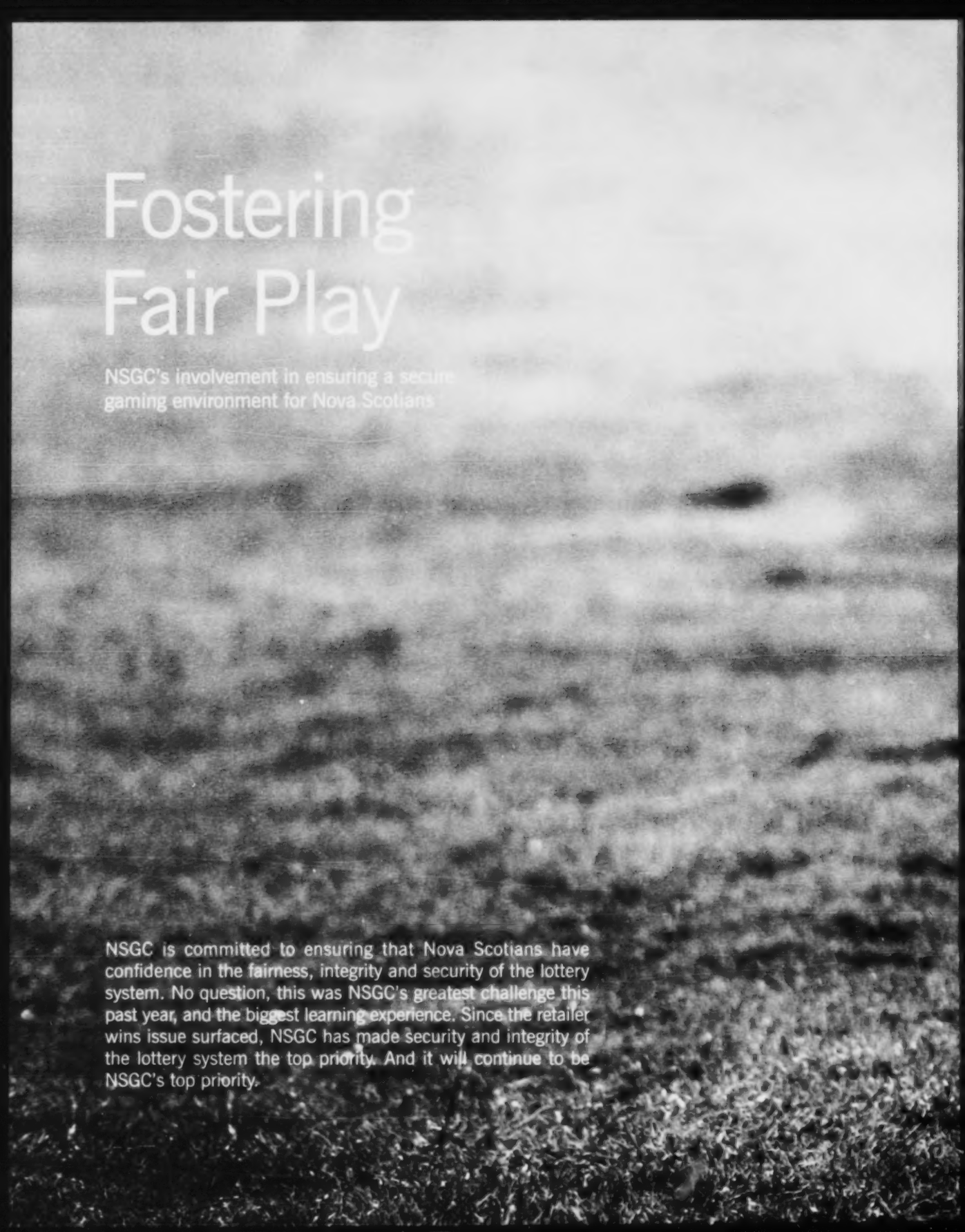
Fostering socially responsible entertainment was the game plan for 2007-08. For NSGC this meant making some changes to the video lottery environment in Nova Scotia. New policies and site standards focus on ensuring video lottery players receive an enjoyable playing experience in an atmosphere that is considered safe, secure, clean and fun. These policies will help to improve the overall player experience, generate site improvements and customer service enhancements, and ensure social responsibility is fully integrated into video lottery terminal placement decisions and the day-to-day operation of the video lottery program.

From the sport-themed Crosswords and "Joe Fit" inspired breakopen tickets for the *Support 4 Sport* Program, to the introduction of two new Pick 'n Click games, "3 Card Poker" and "Shoot Out", on PlaySphere, ticket lottery players had new ways to play their favourite games. In February 2008, ALC reintroduced for a second year the popular draw game "Millionaire Life" to the delight of dream chasers across Nova Scotia.

NSGC is in the business of entertainment. And in successfully offering fun and responsible gambling products to customers in a safe and secure environment, NSGC and its operators are building an industry from which Nova Scotia can benefit.

2007-08 BUSINESS HIGHLIGHTS

- Increased entertainment offerings at Casino Nova Scotia, Halifax
- Two new poker tables added to Casino Nova Scotia, Sydney
- New Texas Hold'em Bonus Poker introduced at Casino Nova Scotia, Halifax
- New VLT Retailer Policies, including improved site standards
- Introduction of "Joe Fit" inspired breakopen ticket for the *Support 4 Sport* Program
- Introduction of two new Pick 'n Click games on PlaySphere: "3 Card Poker" and "Shoot Out"
- Reintroduction of "Millionaire Life" draw game



Fostering Fair Play

NSGC's involvement in ensuring a secure gaming environment for Nova Scotians

NSGC is committed to ensuring that Nova Scotians have confidence in the fairness, integrity and security of the lottery system. No question, this was NSGC's greatest challenge this past year, and the biggest learning experience. Since the retailer wins issue surfaced, NSGC has made security and integrity of the lottery system the top priority. And it will continue to be NSGC's top priority.

FOSTERING FAIR PLAY

In October 2006, media reported an issue between a ticket lottery player and retailer in Ontario. A retailer had claimed a customer's winning ticket as his own. This spurred an investigative report into retailer wins in Ontario that showed retailers were winning significantly more often than would be statistically expected.

This was a wake-up call for the gambling industry across Canada and around the world. It challenged the integrity and security of all lotteries. NSGC was certainly not alone in this issue. There are over 112 lotteries in Canada, the United States and Europe, and before this issue emerged in Ontario, not one of these lotteries had identified retailer wins as a risk area. This was clearly a systemic problem. And it was a serious problem that struck at the very heart of the lottery business, challenging customer security, confidence and trust.

The past cannot be changed, but it is NSGC's response to this issue that will shape the future. NSGC, in its role as advisor, strategist and steward of the Nova Scotia gambling industry, needed to figure out how this happened and how to fix it. Quite simply, it was a situation that required the coach to step onto the field and address the issue head-on. NSGC led the immediate charge to find the solution.

In fact, NSGC was the first jurisdiction to act after the retailer wins issue came to light, stepping in immediately to ask questions, gather information and take an active leadership role to fix the problem.

NSGC retained Dr. Jeffrey Rosenthal, the statistician who identified the issue in Ontario, to conduct a similar statistical analysis of retailer wins in Nova Scotia. His report showed that retailers in Nova Scotia were winning more often than would be statistically expected — the same outcome as in Ontario.

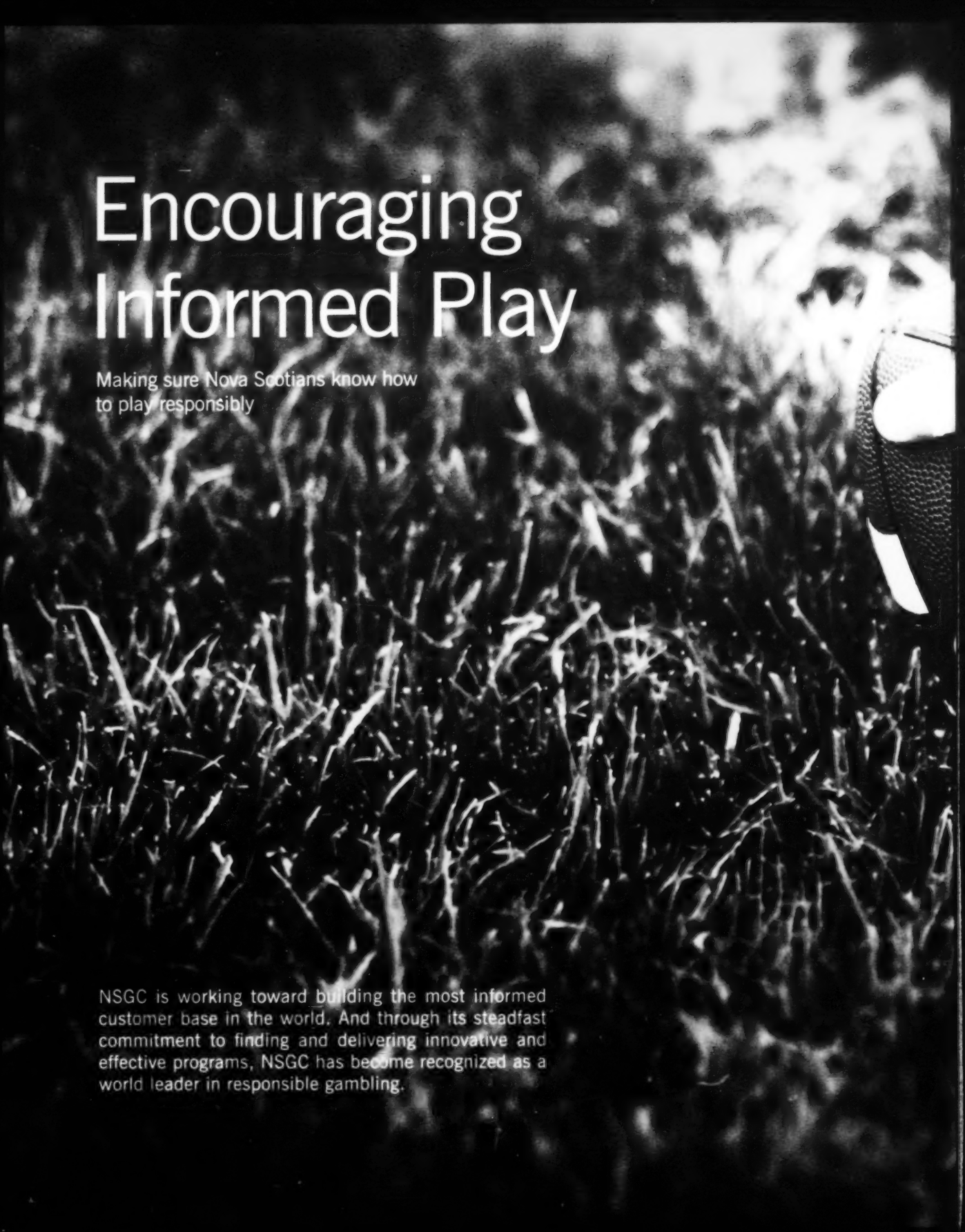
NSGC also took the unprecedented step of turning all case files related to retailer wins over to the RCMP to determine if any further investigations, including criminal investigations, were warranted. This action led the rest of the Atlantic provinces to follow suit and do the same thing.

NSGC also proactively began looking at the lottery industry as a whole to ensure there were no similar problems in other business lines. On that basis, NSGC, working with the other three Atlantic provinces, initiated an external Broad-Scope Review of the Atlantic Lottery Corporation's operations. The findings of the report were released in April 2008.

This issue has changed the gambling industry forever and NSGC is working to ensure that in Nova Scotia, it changes for the better. And, to that end, NSGC will continue to lead, question, analyze and monitor. NSGC is not willing to take any chances with this issue. Integrity and security may be just one pillar of NSGC's commitment to social responsibility, but it will continue to be the top priority.

Since the retailer wins issue emerged in October 2006, ALC has made changes to restore customer security and confidence, including:

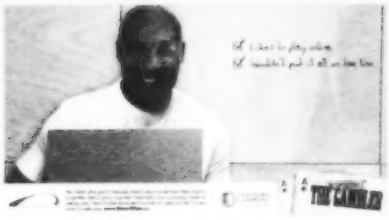
- Placing self-serve ticket checkers at all retail locations;
- Installing customer-facing screens, which display winning amounts at all retail locations;
- Making it mandatory that all winning tickets be signed by the ticket holder before they are validated;
- Requiring retailers to return the ticket and validation slip to the player;
- Putting all reporting and investigation authority of customer complaints under ALC's Security and Compliance unit;
- Establishing a new customer complaints process that reports issues directly to the Security and Compliance unit; and,
- A mandatory delay for paying retailer wins of $10,000 and over — to allow for a full investigation of each and every claim.



Encouraging Informed Play

Making sure Nova Scotians know how to play responsibly

NSGC is working toward building the most informed customer base in the world. And through its steadfast commitment to finding and delivering innovative and effective programs, NSGC has become recognized as a world leader in responsible gambling.



"I applaud this approach to promoting responsible gambling... Featuring gamblers who are playing responsibly while delivering the message that they 'know when to hold 'em, know when to fold 'em' will resonate more positively and realistically and perhaps cause people to reflect on and control their gambling behaviour."

Harold Wynne, Ph.D., Partner, Wynne Resources

INFORMING PLAYERS – CENTRAL TO THE GAME

NSGC's tagline "Responsible Gambling: it's your best bet" can be found on all player information, collateral and promotional material. It means, if you choose to gamble, you need to arm yourself with the right information. It's about knowing what you can afford to spend on gambling and only spending that amount. It's about knowing when you started to play, how long you plan to stay, and leaving when you said you would. It's about keeping it fun. And it's always about making informed decisions.

Experts agree that more information encourages informed decision-making, which leads to responsible play and helps to prevent future problems from happening. With this in mind, NSGC continues to build upon the responsible gambling tools and programs it delivers each year, making Nova Scotia one of the most progressive gambling environments in the world. Yet NSGC's message remains simple and consistent, if you are going to gamble, do so responsibly.

The goal is to empower players with information by clearly communicating the risks of gambling, providing players with information tools, and educating and raising awareness through targeted programs. In 2007–08, NSGC provided over $7.7 million in funding and reached over 25,000 Nova Scotians through more than a dozen prevention and education programs.

PROGRAMS THAT EMPOWER NOVA SCOTIANS

In November 2007, NSGC announced that Techlink Entertainment had been awarded a contract for a video lottery Informed Player Choice System (IPCS). The announcement came after two years of groundbreaking research on the impact of adding interactive responsible gambling features to video lottery terminals. Based on positive research findings, NSGC invited suppliers to propose technology solutions for an IPCS to be rolled-out across the province. The system is about personal choice and giving the highest level of information to the player to make informed decisions. Players will be able to access personalized information about how much time and money they are spending on gambling. Nova Scotia is the first jurisdiction in the world to test

and implement these kinds of interactive, personalized player information tools. The IPCS will affect all video lottery machines in the province, including those on First Nations reserves. The first roll-out of the IPCS is expected to take place in 2009.

NSGC launched *The Responsible Gambler*, a groundbreaking awareness program, in October 2007. This is the first program of its kind that focuses on explaining and describing what responsible gambling behaviour actually looks like. Experts found that past campaigns were too negative and focused solely on problem behaviour and were not effective in helping the majority of recreational players understand exactly what to do to play responsibly. The campaign celebrated the positive attributes of responsible gambling behaviour and acknowledged that most Nova Scotians — 93 per cent — know where to draw the line. NSGC worked with an award-winning agency and some of the top responsible gambling experts in North America to develop a creative and unique approach to get the message to Nova Scotians from one end of the province to the other.

In 2007–08, NSGC continued to sponsor prevention programs directed at youth. Whereas responsible gambling programs talk to Nova Scotians over the age of majority about how to make informed decisions if they choose to gamble, "prevention programs" speak to an under-19 audience about the risks of gambling in order to help prevent problems before they start.

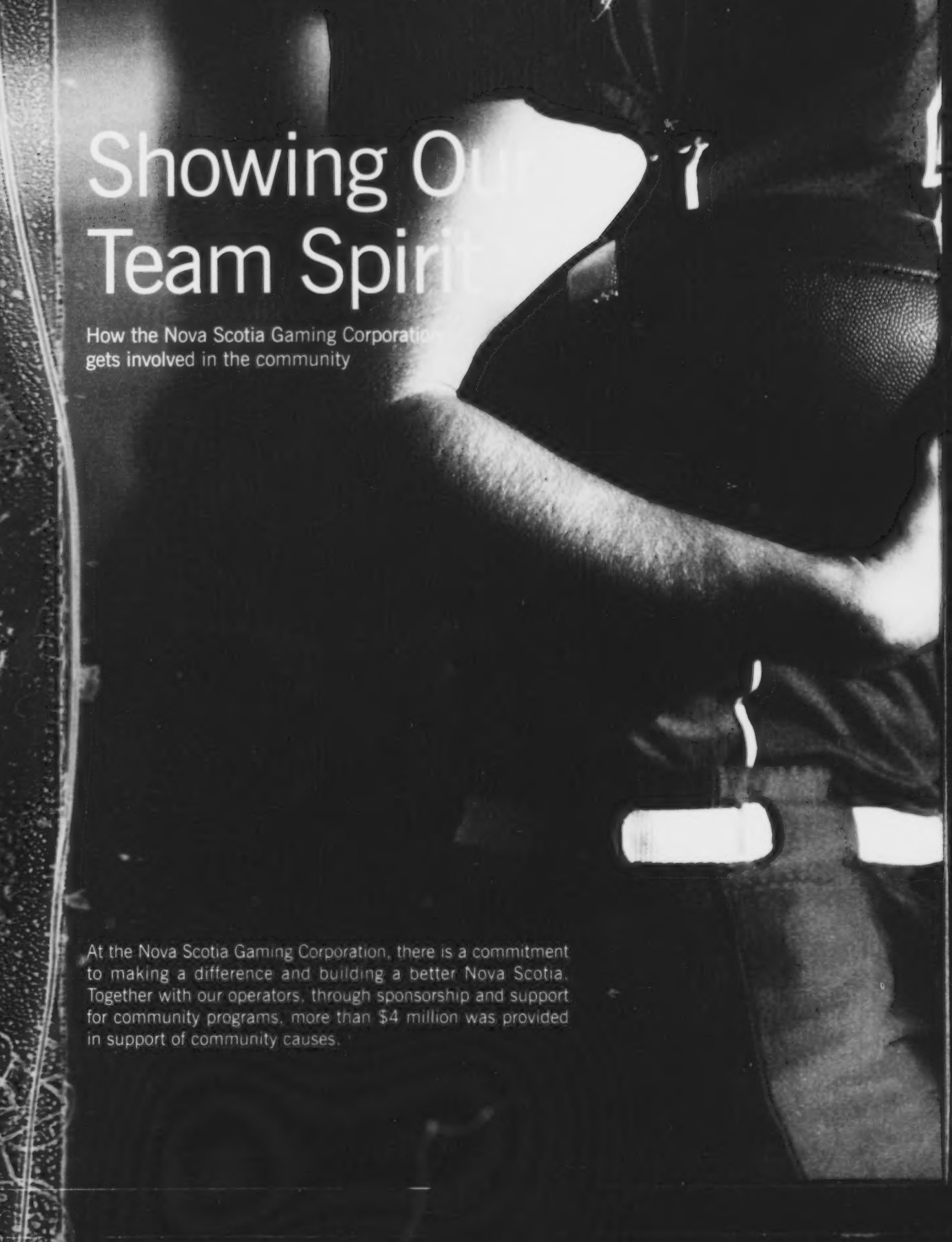
With the increase of Internet use among young people, parents are looking for new ways to protect their children. Nova Scotia was the first jurisdiction in the world to create and pilot test an Internet-blocking software, BetStopper, that was customized specifically to prevent children from accessing gambling websites. The response to the pilot was positive, with 92 per cent of participants agreeing that BetStopper is an effective youth gambling prevention tool. In 2008–09, NSGC will work to make BetStopper available to all interested Nova Scotian families as a provincial community program.

This year, NSGC also sponsored a new high school drama entitled *House of Cards*, an interactive program developed by the Responsible Gambling Council (RGC), which reached more than 4,800 high school students in Nova Scotia.

Guiding each project, campaign, program and initiative in 2007–08 was the Social Responsibility Assessment Template. It provides objective guidelines to measure the social responsibility of initiatives undertaken by NSGC and its operators. All products, promotions and programs must pass this assessment in order to be launched. It's as simple as that.

2007-08 RESPONSIBLE GAMBLING INITIATIVES

- Launch of *The Responsible Gambler* responsible gambling awareness campaign
- *House of Cards*, a high school drama showcasing the risks associated with gambling
- Informed Player Choice System (IPCS)
- Successful completion of Betstopper Pilot
- 6th Annual Responsible Gambling Awareness Week
- Interactive Community Education Display
- Community Consultation Sessions
- Youth Gambling Awareness Program Pilot, in partnership with YMCA



Showing Our Team Spirit

How the Nova Scotia Gaming Corporation gets involved in the community

At the Nova Scotia Gaming Corporation, there is a commitment to making a difference and building a better Nova Scotia. Together with our operators, through sponsorship and support for community programs, more than $4 million was provided in support of community causes.

"Funding from the *Support 4 Sport* Program has given me the chance to train with the best coaches and compete with the world's best athletes. International competitions are expensive to get to, but now I have more access to the amazing opponents that push my game ahead. I need to wrestle the best before I can become the best. Today, I am a Canadian gold medal athlete. Tomorrow, the Olympics. Now that's something to cheer about!"

Avalon Doyle, Wrestler
and *Support 4 Sport* Program Funding Recipient

SHOWING OUR TEAM SPIRIT

NSGC's *Support 4 Sport* Program was launched in 2006, but this year, it took on a life of its own. From Crossword to breakopen and Super 7 Twist, Nova Scotian lottery players came out in force to show their support for amateur sport. One hundred per cent of the profits from the sale of *Support 4 Sport* products are given directly to Sport Nova Scotia to buy sports equipment, create and enhance recreation and participation programming for all ages, support performance training programs for competitive athletes, as well as hire coaches at all levels.

And the Program is having an impact. This year, Sport Nova Scotia distributed *Support 4 Sport* funding to 138 amateur athletes, 19 coaches and 60 community sport programs. NSGC believes in the power of sport, that Nova Scotians of all ages and abilities should have the chance to shine, and that sport really can build a stronger and healthier province. NSGC's *Support 4 Sport* Program is a testament to this belief and commitment.

Dedicating revenues from products is one way that NSGC gave back in 2007–08. But this year, NSGC also built on its community contributions through its Charitable Sector Support Program.

The Charitable Sector Support Program provides community leaders and charities with opportunities to learn best practices in charitable gaming. Since 2006, over $1 million went back to charities through SuperStar Bingo. A highlight in 2007–08 was the expanded Community Casino Nights initiative, which supports "Monte Carlo" fundraisers for community causes. This year, the Community Casino Nights initiative has helped charities raise over $60,000 in support of local programs, including house fire response, early intervention programs for children and accessible recreation programs. A hit with attendees and the charities that benefited from them, this program brings together the infrastructure and expertise of NSGC and its operators to help charities raise funds for their good causes.

Raising much needed funds to support important grassroots level community projects through the Charitable Sector Support Program is a critical part of NSGC's work. Developing programs that help build a healthier Nova Scotia is part of NSGC's commitment to building a legacy. Directly sponsoring non-profits such as the Crosbie House and good causes like the David Foster Foundation and the Tall Ships Nova Scotia Festival is a key part of NSGC's mandate of being a valuable community contributor.

In 2007–08, NSGC and its operators gave over $4 million to community causes in Nova Scotia.

NSGC'S OPERATORS ALSO BELIEVE IN GIVING BACK TO THE COMMUNITY:

- ALC was the regional volunteer sponsor for the Atlantic Canada Relay for Life.
- ALC helped raise $338,560 throughout Atlantic Canada to support Adult Literacy Programs this year through its sponsorship of the Peter Gzowski Invitational golf tournament raising needed resources for the thousands of adult learners who struggle with the challenge of low literacy.
- CNS contributes over $200,000 annually to local non-profit organizations such as Christmas Daddies, 2007 East Coast Music Awards, the Red Cross and the Cumberland Early Intervention Program. CNS supports many other organizations and events through sponsorship across the province.

Our Home Team's Goal

Giving 110%. How the employees of NSGC, Atlantic Lottery Corporation and Casino Nova Scotia make a difference.

It might not be bringing home pennants or hoisting any trophies but our home team is certainly a strong one. Giving back is an important part of what we do at NSGC and an important part of our operators' commitment to being good corporate citizens.

From NSGC's Social Responsibility Ambassador Program that encourages employees to invest in their communities through volunteer work, to the Charitable Sector Support Program that helps charities raise funds for their good causes, NSGC and its employees work to build a better Nova Scotia.

"NSGC's involvement and support for our Monte Carlo Night helped us surpass our fundraising goal and gave us the confidence to do this again. Thank you so much!"

Jackie Cajolais, Executive Director,
Sackville Seniors Advisory Council

OUR HOME TEAM'S GOAL

In 2007–08, NSGC helped charities raise over $60,000 through its "Community Casino Nights" initiative, part of NSGC's Charitable Sector Support Program. Over 180 volunteer hours were contributed by NSGC employees for the Casino Nights this year alone.

In December 2007, NSGC staff showed the true meaning of the holidays when they spent a day giving back at the Salvation Army in Halifax. NSGC's employees worked with spirit to sort the thousands of gifts for Nova Scotian families in need. NSGC also proudly participates in the United Way's annual campaign through payroll deduction and fundraising activities.

NSGC's operators and their employees also believe in playing a role in making the communities in which they live and work better. ALC's Community Fan Club celebrates, supports and encourages community volunteerism across Atlantic Canada by hosting volunteers as VIP guests and promoting their organizations at special events. ALC employees volunteer their time during evenings and weekends to host these community groups. In 2007–08, over 100 community groups were hosted in Nova Scotia. The Community Fan Club has become the cornerstone of ALC's volunteer support. ALC and its employees also support the United Way and its agencies through fundraising initiatives, volunteering and payroll deductions — with ALC providing a corporate match. This year, a total of $75,813 was provided to the United Way through employees from ALC across Atlantic Canada.

In 2007–08, CNS staff gave back to their community by volunteering with Habitat for Humanity, participating in the Run for the Cure and raising $50,000 in funds for the United Way. CNS volunteers also lent their time to NSGC's Community Casino Nights initiative that took place throughout the province.

Summary of Results

RESPONSIBLE

- Successfully sponsored or delivered over a dozen responsible gambling/prevention programs, including:
  - Launch of *The Responsible Gambler*, the groundbreaking responsible gambling awareness campaign
  - *House of Cards*, a high school drama showcasing the risks associated with gambling
  - Informed Player Choice System (IPCS)
  - Successful completion of Betstopper Pilot
  - 6th Annual Responsible Gambling Awareness Week
  - Interactive Community Education Display
  - Community Consultation Sessions
  - Youth Gambling Awareness Program Pilot, in partnership with YMCA
- Launched one of the most comprehensive, player-focused responsible gambling websites. The site provides information and tools to empower players to make informed decisions about their play.
- Launched the Social Responsibility Ambassador Program. The program encourages NSGC's employees to donate their time to the communities in which they live.

PROGRESSIVE

- Texas Hold'em Bonus Poker successfully launched at Casino Nova Scotia (Halifax) in May 2007.
- Created and piloted a world-first Internet-blocking software, BetStopper, which was customized specifically to prevent children from accessing gambling websites. The response to the pilot was positive, with 92 per cent of participants agreeing that BetStopper is an effective youth gambling prevention tool.
- Launched *The Responsible Gambler*, a groundbreaking awareness program. This is the first program of its kind that focuses on explaining and describing what responsible gambling behaviour actually looks like.

ACCOUNTABLE

- First jurisdiction in the world to take action after the retailer wins issue came to light, stepping in immediately to ask questions, gather information and take a direct, active leadership role to fix the problem. Over the past year the Nova Scotia Gaming Corporation has continued to address the issue:
  - Launched a comprehensive review, in conjunction with the other three Atlantic Provinces, of the security and integrity of lottery operations in Atlantic Canada in May 2007. The Broad-Scope Review looked at all lottery games operated by the Atlantic Lottery Corporation (ALC), including ticket lottery, video lottery, Charitable Linked Bingo (where applicable), the Charlottetown Driving Park & Entertainment Centre (CDPEC) and PlaySphere.
  - Took the unprecedented step of turning all case files related to retailer wins over to the RCMP in May 2007, to determine if any further investigations, including criminal were warranted.
- Provided over $1 million to charities to date through SuperStar Bingo, $2 million to support amateur sport from the *Support 4 Sport* Program, and over $60,000 to help charities continue to do their good work through the Charitable Sector Support Program.
- Maintained shareholder/stakeholder support and communications:
  - Quarterly and Annual Reports to shareholder
  - Updates on strategic/operational matters to the Minister responsible
  - Quarterly reporting meetings with operators
  - Regular meetings/discussions with stakeholder groups
- Reported 124 incidents to the Alcohol and Gaming Division related to Section 24(1) of the *Gaming Control Act*.
- Continued strong community support, including the following categories:
  - Prevention, education and treatment $7.7 million
  - Retailer commissions $42.4 million
  - Sponsorships $800,000
  - Employment 1,000 directly employed
  - Community Programs:
    - Nova Scotia Harness Racing Industry $1.0 million
    - *Support 4 Sport* Program $2.0 million
    - Charitable Sector Support Program $343,000
    - Sport Nova Scotia $100,000
    - Exhibition Association of Nova Scotia $50,000
    - Cultural Federation of Nova Scotia $50,000

Financial Statements

Nova Scotia Gaming Corporation
Annual Report 2007–08

Management Responsibilities for Financial Reporting

These financial statements are the responsibility of the management of Nova Scotia Gaming Corporation (NSGC). They have been approved by its Board of Directors.

Management has prepared the financial statements in accordance with generally accepted accounting principles in Canada. The financial information contained in the Annual Report is consistent with the data presented in the financial statements.

The gaming activities of Nova Scotia Gaming Corporation are undertaken by operators acting on its behalf. These gaming activities are audited by independent auditors. The Corporation relies on the audit opinion of these independent auditors. The responsibility of the Auditor General of Nova Scotia is to express an independent opinion on whether the financial statements of Nova Scotia Gaming Corporation are stated fairly, in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Nova Scotia Gaming Corporation maintains books of accounts and systems of financial and management control, which provide reasonable assurance that accurate financial information is available, that assets are protected, and that resources are managed efficiently.

The Board of Directors oversees audit activities through its audit committee. The committee reviews matters related to accounting, auditing and internal control systems, and the financial statements and audit reports of the auditors of the Corporation and its operators.

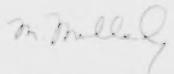
Certification for the year ended March 31, 2008

We have evaluated the effectiveness of Nova Scotia Gaming Corporation's disclosure controls and procedures as of the end of the year covered by the 2007-08 Annual Report. Except as discussed in the following two paragraphs, we conclude that such disclosure controls and procedures are effective to ensure that the information required to be disclosed is accumulated and communicated to management, including the President & Chief Executive Officer and the Vice President, Finance.

NSGC relied upon procedures performed and certifications provided over disclosure controls and internal controls over financial reporting provided by Great Canadian Gaming Corporation (GCGC). NSGC has contracted GCGC to operate the Halifax and Sydney casinos and certain balances, including revenues, associated with those businesses are included in the financial statements.

NSGC's evaluation did not include disclosure controls and procedures and internal controls over financial reporting performed by the Atlantic Lottery Corporation Inc. (ALC), and therefore is not intended to identify and report any deficiencies in internal control that might exist at ALC. NSGC has contracted ALC to operate the Video and Ticket Lottery businesses and the revenue, expenses, assets and liabilities associated with those businesses are included in the financial statements.

During the period beginning on April 1, 2007 and ended on March 31, 2008, NSGC has not made any changes in its internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.



Marie T. Mullally, FCA
President & CEO

Robert MacKinnon, CA
Vice President, Finance

Auditor's Report

Office of the Auditor General

Office of the Auditor General

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the balance sheet of Nova Scotia Gaming Corporation as at March 31, 2008, and the statements of income and payment to Province, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques R. Lapointe, CA • CIA
Auditor General

Halifax, Nova Scotia
May 23, 2008

Balance Sheet

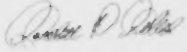
AS AT MARCH 31 (IN THOUSANDS)

	2008	2007
ASSETS		
Current		
Cash and short-term investments *(Note 3)*	$ 7,794	$ 7,645
Cash – restricted *(Note 2)*	2,714	1,815
Inventory, at cost	1,490	1,729
Prepaids	617	758
	12,615	11,947
Long-term		
Cash – Casino Capital Replacement Reserve *(Notes 3 and 4)*	1,406	86
Deferred charges *(Note 2)*	21	54
Investment in Atlantic Lottery Corporation Inc. *(Notes 2 and 5)*	1	1
Investment in Interprovincial Lottery Corporation *(Notes 2 and 6)*	1	1
Capital assets *(Notes 2 and 7)*	91,204	94,564
	92,633	94,706
	$ 105,248	**$ 106,653**
LIABILITIES		
Current		
Accounts payable	$ 2,810	$ 3,126
Deferred lottery revenue *(Note 2)*	498	244
Liabilities for unclaimed prizes *(Note 2)*	2,714	1,815
Capital obligation – current portion *(Note 8)*	6,858	12,710
Due to operators *(Note 9)*	7,760	5,628
Due to Atlantic Gaming Equipment Limited - current portion *(Note 10)*	7,201	5,378
Due to Nova Scotia Gaming Foundation *(Note 2)*	55	55
Due to Province of Nova Scotia	66,430	53,910
	94,326	82,866
Long-term		
Due to Atlantic Gaming Equipment Limited *(Note 10)*	4,978	5,714
Capital obligation *(Note 8)*	–	11,340
	4,978	17,054
EQUITY		
Casino Capital Replacement Reserve *(Note 4)*	5,944	6,733
	$ 105,248	**$ 106,653**

Commitments *(Notes 3, 12, 14 and 16)*

See accompanying notes to the financial statements

Approved on behalf of the Board,



Gordon D. Gillis, BA, LLB
Chair

Statement of Income and Payment to Province

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	2008	2007
REVENUE		
Ticket lottery *(Schedule I)*	$ 203,334	$ 215,124
Video lottery *(Schedule I)*	140,738	151,304
Halifax casino *(Schedule II)*	71,198	75,313
Sydney casino *(Schedule III)*	22,789	22,954
Other *(Schedule IV)*	365	360
	438,424	465,055
EXPENSES		
Ticket lottery *(Schedule I)*	162,916	167,481
Video lottery *(Schedule I)*	45,803	55,601
Halifax casino *(Schedule II)*	60,303	66,642
Sydney casino *(Schedule III)*	17,936	17,978
Responsible gambling	3,024	3,143
Other *(Schedule IV)*	3,603	3,112
	293,585	313,957
Net income before distributions	144,839	151,098
Distributions to Community Programs *(Schedule IV)*	8,262	6,656
Net income	136,577	144,442
Win tax	16,989	17,881
Payment to Province	$ 153,566	$ 162,323

Statement of Retained Earnings

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	2008	2007
Retained earnings, beginning of year	$ –	$ –
Net income	136,577	144,442
Net income paid to Province	(136,577)	(144,442)
Retained earnings, end of year	$ –	$ –

See accompanying notes to the financial statements

Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	2008	2007
OPERATING		
Net income	$ 136,577	$ 144,442
Allocation of income to Province	(136,577)	(144,442)
Amortization of capital assets	14,071	21,236
Amortization of deferred charges	33	150
Net changes in working capital *(Note 13)*	14,970	11,294
	29,074	32,680
FINANCING		
Increase (decrease) in due to Atlantic Gaming Equipment Limited	1,087	(8,466)
Reduction of capital obligation	(17,192)	(14,775)
	(16,105)	(23,241)
INVESTING		
Purchases of capital assets, net of dispositions	(10,711)	(12,127)
Decrease in Casino Capital Replacement Reserve, net of cash decrease	(2,109)	(519)
	(12,820)	(12,646)
Net increase (decrease) in cash and short-term investments	149	**(3,207)**
Cash and short-term investments, beginning of year	7,645	**10,852**
Cash and short-term investments, end of year	$ 7,794	**$ 7,645**

See accompanying notes to the financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED MARCH 31

1) DESCRIPTION OF BUSINESS

The Corporation was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994–95, the *Gaming Control Act*. The purpose of the Corporation is to develop, undertake, organize, conduct and manage casinos and other lottery schemes on behalf of the Province.

2) ACCOUNTING POLICIES

a) Basis of Presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b) Casino Revenues

In accordance with industry practice, Casino revenues are reported as the net win from gaming activities, which is the difference between amounts wagered and amounts paid as winnings. Casino revenues are reported net of accruals for anticipated amounts to be paid as winnings for progressive slot machine jackpots.

c) Ticket Lottery Revenues

Gross ticket lottery sales are recorded before deducting sales discounts and prize expense.

Receipts for lottery tickets sold prior to March 31, 2008 for draws held subsequent to that date are recorded as deferred revenue.

d) Video Lottery Revenues

Video lottery revenues are reported as the net revenues from video lottery activities, which is the difference between amounts wagered and amounts paid as winnings.

e) Capital Assets

Capital assets are stated at cost less accumulated amortization.

Amortization of the Corporation's head office capital assets is provided on the declining balance basis at the following annual rates:

Computer equipment	30%
Furniture and equipment	20%

Amortization of the Halifax and Sydney casino assets is recorded on a straight-line basis according to their estimated useful lives at rates between 2.5% and 20%.

Amortization of the Corporation's capital assets used in the operation of its lottery businesses is recorded on the straight-line basis according to their estimated useful lives at rates between 4% and 33%. Leasehold improvements are amortized over the remaining lease term, including one renewal period.

f) Nova Scotia Gaming Foundation Contribution

Video Lottery retailers in Nova Scotia have agreed, under the terms of their retailer agreements with the Atlantic Lottery Corporation Inc., to contribute 1% of their Video Lottery commission to the Nova Scotia Gaming Foundation. The Corporation has agreed to contribute an amount equal to al[illegible]ntributions made by the Video Lottery retailers.

g) Deferred Charges

The deferred charges relate to payments made to site holders to remove video lottery terminals from certain sites. These costs are being amortized on a straight-line basis over five years.

h) Long-term Investments

Investments in the Atlantic Lottery Corporation Inc. and the Interprovincial Lottery Corporation are recorded using the cost method of accounting for investments.

i) Cash – Restricted and Unclaimed Prizes

Unclaimed prizes from regional lottery games are retained in a prize fund for one year from the announced beginning date of the draw. Prizes of national lottery games are funded by the Interprovincial Lottery Corporation, with the exception of prizes for certain free tickets, which are paid out of general funds as incurred.

j) Prize Expense

Prize expense for regional online games is recorded based on the theoretical prize expense for each game. The actual expense incurred each year will vary from the estimate based on the nature of games of chance. Over the long term it is expected that the actual prize expense will approximate the theoretical expense.

k) Use of Estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

l) Financial Instruments

Effective April 1, 2007, the Corporation adopted new accounting standards (CICA sections 3855, 3861 and 1530) issued by the Canadian Institute of Chartered Accountants ("CICA") related to financial instruments and comprehensive income which prescribe the criteria for recognition and presentation of financial instruments and comprehensive income on the balance sheet and the measurement of financial instruments according to prescribed classifications. These standards also address how financial instruments are measured and, subsequent to initial recognition, how gains and losses are recognized.

The Corporation is required to designate its financial instruments into one of the following five categories: (i) held for trading, (ii) available for sale, (iii) held to maturity, (iv) loans and receivables, or (v) other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost using the effective interest method.

The Corporation has designated its financial instruments as follows:

a) Cash is classified as "Held for Trading". Due to the nature and/or short term maturity of these financial instruments, carrying value approximates fair value.

b) Accounts payable, deferred revenue, liabilities for unclaimed prizes, due to operators, Nova Scotia Gaming Foundation and Province of Nova Scotia are classified as "Other Financial Liabilities". Initial measurement is at fair value with any transaction costs included in the fair value amount. Subsequently, they are measured at amortized cost using the effective interest method. For the Corporation, the carrying value approximates fair value.

c) Long term debt is classified as "Loans and receivables". Initial measurement is at fair value and subsequent measurement is at amortized cost using the effective interest rate method. The approximate fair value of long term debt at March 31, 2008 was $12.2 million.

m) Future Accounting Pronouncements

Effective for fiscal year ending March 31, 2009, the Corporation will be required to apply new CICA standards relating to capital disclosures. Management is reviewing the impact of these items on the financial statements.

3) CASINO NOVA SCOTIA

a) Operating Contract

i) Term and Structure

On May 31, 1995, the Corporation entered into an Operating Contract with Metropolitan Entertainment Group, referred to as MEG or the Operator, then, a partnership between ITT Sheraton Canada Ltd. (now Park Place Entertainment Scotia Limited) and Purdy's Wharf Development Limited (now East Port Properties Ltd.), to operate casinos in Halifax and Sydney for a period expiring on December 31, 2010.

On July 1, 2005, the Corporation amended and restated the Operating Contract with Metropolitan Entertainment Group (now a partnership between 6364942 Canada Inc. and 6364951 Canada Inc.) to operate casinos in Halifax and Sydney for a period expiring on July 1, 2015, renewable until July 1, 2025, at the Operator's option.

ii) Payments to Operator

Under the Amended and Restated Casino Operating Contract, effective July 1, 2005, the Operator is entitled to certain payments from each casino, calculated with reference to the following items, which are included in Article 2 of the Amended and Restated Casino Operating Contract:

- an amount based upon the Operator's Capital Investment in Halifax ($92.8 million total, $0 call backings, to be amortized straight line over a seven year term, with interest calculated monthly at 12% per annum on the original capital investment outstanding);
- an Operator fee in the amount equal to 55.0% of total casino revenue after deducting payment to fund capital replacement reserve;

- an amount based on the Mandatory Deferral ($24.5 million total, $6.8 million outstanding) to be repaid over a four year term, with interest calculated monthly at prime + 1% per annum; and,
- an amount based on funds advanced by the Operator to purchase approved capital expenditures, with interest calculated at prime + 2% per annum.

iii) Option to Terminate

Under the Amended and Restated Casino Operating Contract, either the Corporation or the Operator has the option to terminate the Contract. NSGC may terminate the Contract immediately on written notice with cause, or on six months written notice at its option. The Operator may terminate the Contract upon sixty days written notice with cause.

Upon termination the Operator must be repaid the unpaid balance of Payments to Operator, and unamortized balance of Operator's Additional Acquisition Costs.

If the Operator terminates the contract, or the Corporation terminates without cause, the Corporation must pay the Operator a compensation fee calculated as the greater of the net present value of 10% of the Operator fee or Operator's actual earnings before interest, taxes, depreciation and amortization (EBITDA) for the preceding twelve months.

No compensation fee is payable to the Operator if NSGC terminates the contract for cause.

b) Cash in Casino Accounts

Under the Amended and Restated Casino Operating Contract, total casino revenues are the Corporation's revenue and the casino bank accounts and Capital Reserve accounts (CRA) are owned by the Corporation. The Corporation included $3.2 million in cash from the casino accounts on the balance sheet at March 31, 2008 (2007 – $2.9 million).

c) Casino Capital Replacement Reserve

A capital replacement reserve is intended to provide for replacement of casino capital assets. From April 1, 2006 to March 31, 2007, it was based on 5% of total revenues of the casinos. From April 1, 2007 to March 31, 2008 it was based on 6% of total revenues of the casinos. Cash has been segregated on the balance sheet in the amount of $1.4 million (2007 – $0.1 million) for this purpose.

4) CASINO CAPITAL REPLACEMENT RESERVE

(in thousands)

	2008	2007
Cash balance, beginning of year	$ 86	$ 1,453
Funding	5,575	4,856
Interest	32	53
Proceeds from sale of capital assets	3	17
Capital asset purchases	–	(6,379)
Reimbursements to MEG for capital asset purchases	(3,135)	(4,850)
Interest paid on balance owing to MEG for capital asset purchases	–	(690)
HST related to capital asset purchases and reimbursements	(1,155)	(744)
Capital assets purchased by MEG	–	6,370
Cash balance, end of year	1,406	86
Add: cumulative capital asset purchases	34,762	30,372
Less: accumulated amortization	(23,234)	(16,863)
Less: HST payable	–	(492)
Less: Capital assets purchased by MEG	(6,990)	(6,370)
Balance, end of year	$ 5,944	$ 6,733

5) ATLANTIC LOTTERY CORPORATION INC.

In 1976, the Atlantic Lottery Corporation Inc. was set up by the four Atlantic Provinces to operate lottery and gaming activities in the region.

The Atlantic Lottery Corporation Inc. is the Corporation's exclusive agent to operate ticket lotteries and video lotteries in Nova Scotia, Each of the Corporation, Province of Newfoundland and Labrador, Lotteries Commission of New Brunswick and Prince Edward Island Lotteries Commission own 25% of the Atlantic Lottery Corporation Inc.

The Corporation entered into an Agency Agreement (the "Agreement") with the Atlantic Lottery Corporation Inc. whereby the Corporation has appointed the Atlantic Lottery Corporation Inc. to operate ticket and video lotteries in Nova Scotia as an agent of the Corporation on the terms and conditions set out in the Agreement. Under the Agreement, the Atlantic Lottery Corporation Inc. cannot make any material change relating to the conduct and management of lotteries in Nova Scotia without the approval of the Corporation.

The Agreement requires that the Corporation's revenues be kept in a separate account and not co-mingled with those of the other provinces. The Corporation's costs are to be deducted from its account. The Agreement clarified that assets acquired or liabilities incurred by the Atlantic Lottery Corporation Inc. exclusively for the operation of the lotteries in Nova Scotia are the Corporation's. As a result, for financial statement reporting purposes, the Corporation has included these assets and liabilities on its balance sheet, with the balance recorded as amounts due to the Atlantic Lottery Corporation Inc. or Atlantic Gaming Equipment Limited (a subsidiary of the Atlantic Lottery Corporation Inc.), as appropriate. The Corporation has not recorded any portion of those assets and liabilities that are shared by all Atlantic Lottery Corporation Inc. shareholders in which the Corporation has an interest, the treatment and valuation of which has not yet been determined. This includes common capital assets.

The amounts due to the Atlantic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited represent a portion of the Atlantic Lottery Corporation Inc.'s line of credit, which bears interest at prime less 1% on borrowings equal to funds on deposit and prime for amounts borrowed in excess of funds on deposit, and a portion of bank term loans. These loans have various terms and interest rates from 3.76% to 5.13% maturing at various dates through August 2011. The line of credit is secured by a general security agreement over all assets of the Atlantic Lottery Corporation Inc., and those owned by the Corporation. The bank term loans are secured by a general security agreement over present and future assets held by the Atlantic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited and an indenture of subordination from the Corporation up to the value of assets utilized directly for the benefit of Nova Scotia.

The assets and liabilities recorded by the Corporation are recorded for financial statement reporting purposes only and do not necessarily represent the values that the Corporation would take if it were to withdraw from the Atlantic Lottery Corporation Inc.

6) INTERPROVINCIAL LOTTERY CORPORATION

The Interprovincial Lottery Corporation was incorporated on August 16, 1976 under the *Canada Business Corporations Act*. The Interprovincial Lottery Corporation owns and operates nation-wide lottery games (Lotto 6/49, Super 7, Millionaire Life, various national instant games). Nova Scotia holds one of ten shares of this Corporation, and appoints one of 21 directors to the Board of Directors of the Interprovincial Lottery Corporation.

7) CAPITAL ASSETS

(in thousands)	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Automotive	$ 865	$ 389	$ 476	$ 430
Computer equipment	8,260	5,697	2,563	2,762
Furniture and equipment	288	168	120	138
Computer software	529	178	351	450
Retail equipment	3,194	1,761	1,433	1,029
Leaseholds	48	17	31	39
Halifax casino assets	91,951	35,370	56,581	58,980
Sydney casino assets	23,206	12,782	10,424	10,656
Casino furniture and equipment	34,760	23,235	11,525	13,508
On-line gaming terminals	10,918	10,785	133	2
Video lottery terminals	54,692	47,125	7,567	6,570
	$ 228,711	$ 137,507	$ 91,204	$ 94,564

In 2008, the Corporation acquired capital assets of $6.1 million (2007 - $4.0 million) financed through Atlantic Gaming Equipment Limited, and $0.6 million (2007 - $2.0 million) financed by MEG.

8) CAPITAL OBLIGATION

The Corporation has an obligation under the Amended and Restated Casino Operating Contract to repay the operator of the casinos for the initial cost of the Halifax and Sydney casinos to the extent that there is adequate cash flow from the casinos to fund these obligations. The Corporation has the option to purchase these casinos at any time with six months notice. Future minimum obligations based on there being adequate cash flow are as follows:

(in thousands)	Total
Net minimum obligation	$ 6,977
Less: amount representing interest	(119)
Present value of minimum obligation	6,858
Less: amount due within one year	(6,858)
Balance of obligation	$ –

9) DUE TO OPERATORS

(in thousands)	2008	2007
Due from Atlantic Lottery Corporation Inc.	$ 88	$ (429)
Due from lottery operations	(6,484)	(6,168)
Due to lottery operations	6,195	6,537
Due to MEG – purchase of capital assets	6,990	6,370
Due from MEG	971	(682)
	$ 7,760	$ 5,628

10) DUE TO ATLANTIC GAMING EQUIPMENT LIMITED

The liability represents a portion of the Atlantic Lottery Corporation Inc. (ALC) debt used in the acquisition of assets operated on behalf of NSGC. All amounts are payable by ALC and are due on or before April 2013. The debt is based on variable interest rates. The aggregate maturities of long-term debt for each of the three years subsequent to March 31, 2008 are approximately as follows: 2009 - $3,320; 2010 - $3,320; and 2011 - $277. Included in interest expense is $714 (2007 - $989) relating to long-term debt, and $726 (2007 - $717) relating to line of credit.

11) RELATED PARTY TRANSACTIONS

The Province of Nova Scotia, Nova Scotia Harness Racing Incorporated, Atlantic Gaming Equipment Limited and the Atlantic Lottery Corporation Inc. are related parties of the Corporation. Details of any transactions between these related parties are disclosed separately in the financial statements.

12) HARNESS RACING

The Corporation annually contributes to the Nova Scotia Harness Racing Fund amounts approved by the Minister of Finance. Government approved a contribution of $1.0 million in 2008 to support the harness racing industry in Nova Scotia.

The 2009 approved budget includes $1.0 million to support the harness racing industry in Nova Scotia.

13) SUPPLEMENTAL CASH FLOW INFORMATION

Net changes in working capital:

(in thousands)	2008	2007
Inventory	$ 239	$ (2)
Prepaids	141	(466)
Accounts payable	(316)	1,021
Deferred lottery revenue	254	(242)
Due to operators	2,132	(53)
Due to Nova Scotia Gaming Foundation	–	(4)
Due to Province of Nova Scotia	12,520	11,040
	$ 14,970	$ 11,294

14) SPECIAL PAYMENTS

The Corporation is obligated to make direct payments annually to three provincial government bodies as follows:

(in thousands)	2008	2007
The Department of Tourism, Culture and Heritage (in support of the NS Cultural Federation)	$ 50	$ 50
The Department of Agriculture (in support of the Exhibition Association of Nova Scotia)	50	50
Nova Scotia Health Promotion and Protection (in support of Sport Nova Scotia)	100	100
	$ 200	$ 200

These payments are special funds under the *Provincial Finance Act* established by the Minister of Finance under Section 14(1) of the Atlantic Lottery Regulations as made under the *Gaming Control Act*.

Additionally, as part of its Gaming Strategy, Government approved a contribution of $3.0 million to Nova Scotia Health Promotion and Protection in 2008 (2007 - $3.0 million) to fund problem gambling treatment.

15) CHARITABLE SECTOR SUPPORT

NSGC manages the delivery of a program called SuperStar bingo which is delivered by participating charities across the province. Charities are paid a commission. Profits, if any, are paid out to the participating charities otherwise, NSGC absorbs the excess of costs over expenses. In 2008, the net loss was $282,135 (2007 - $318,344).

16) OTHER COMMITMENTS

The Corporation is required to make annual lease payments of approximately $0.5 million over the next five years.

The Corporation's share of the Atlantic Lottery Corporation Inc.'s minimum annual lease payments for the premises is approximately $3.8 million over the next five years.

The Corporation's share of the Atlantic Lottery Corporation Inc.'s minimum annual lease payments for equipment is approximately $0.4 million over the next five years.

17) PENSIONS

All permanent employees of the Corporation are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Plan, a multi-employer plan. The plan is funded by equal employee and employer contributions. The employer accounts for the plan on a deferred contribution basis with contributions included in the Corporation's management expenses. The Corporation is not responsible for any unfunded liability with respect to the Public Service Superannuation Plan.

18) FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The fair value of the Corporation's cash and short-term investments, accounts payable, deferred lottery revenue, liabilities for unclaimed prizes, due to operators, due to Atlantic Gaming Equipment Limited, due to the Nova Scotia Gaming Foundation and due to the Province of Nova Scotia approximates their carrying amounts due to their relatively short terms to maturity.

It is not practicable to estimate the fair value for capital obligation, as repayment can only be made to the extent there is adequate cash flow from the casinos.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from financial instruments.

Schedule I: Ticket Lottery and Video Lottery, Operating Results

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	Ticket Lottery	Video Lottery	Total 2008	Total 2007
REVENUE				
Ticket lottery sales	$ 203,334	$ –	$ 203,334	$ 215,124
Prize expense	113,590	–	113,590	120,750
Net ticket lottery sales	89,744	–	89,744	94,374
Net video lottery sales	–	140,738	140,738	151,304
Total net sales	89,744	140,738	230,482	245,678
Retailer commissions	13,489	28,923	42,412	45,360
Ticket costs	3,727	2,775	6,502	7,137
	17,216	31,698	48,914	52,497
Gross profit	72,528	109,040	181,568	193,181
EXPENSES				
Operating expenses				
Marketing and communications	6,174	192	6,366	4,416
Development and recruitment	248	115	363	391
Equipment and maintenance	776	390	1,166	970
General and professional services	1,123	599	1,722	872
Lease and amortization	4,525	4,745	9,270	14,728
Movement and storage	559	151	710	705
Occupancy cost	947	446	1,393	1,257
Other expenses	140	62	202	231
Research and development	488	118	606	764
Salaries and benefits	8,470	4,122	12,592	11,942
Supplies	225	232	457	405
Telecommunications	2,536	230	2,766	2,730
Travel and vehicle	448	338	786	701
Total operating expenses	26,659	11,740	38,399	40,112
Operating profit	45,869	97,300	143,169	153,069
Other (expenses) income	(101)	2,745	2,644	2,116
Profit before other distributions	45,768	100,045	145,813	155,185
HST expense	4,120	4,612	8,732	10,087
Federal contribution	1,143	498	1,641	1,662
Charity non-profit	45	–	45	46
Retailer bonus	42	–	42	44
Net income	**$ 40,418**	**$ 94,935**	$ 135,353	**$ 143,346**

Schedule II: Halifax Casino Nova Scotia, Operating Results

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	2008	2007
REVENUE		
Casino revenue	$ 64,385	$ 68,709
Beverage, food and other revenue	6,813	6,604
	71,198	75,313
EXPENSES		
Amortization	2,398	2,549
Capital Replacement Reserve *(Note 3)*	4,224	3,723
Harmonized Sales Tax	3,028	4,797
Interest	1,045	2,573
Operator fee *(Note 3)*	36,731	39,258
Win tax	12,877	13,742
	60,303	66,642
Net income	10,895	8,671
Win tax	12,877	13,742
Total payment to Province	$ 23,772	$ 22,413

Schedule III: Sydney Casino Nova Scotia, Operating Results

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	2008	2007
REVENUE		
Casino revenue	$ 20,559	$ 20,695
Beverage, food and other revenue	2,230	2,259
	22,789	22,954
EXPENSES		
Amortization	232	232
Capital Replacement Reserve *(Note 3)*	1,352	1,133
Harmonized Sales Tax	489	527
Operator fee *(Note 3)*	11,751	11,947
Win tax	4,112	4,139
	17,936	17,978
Net income	4,853	4,976
Win tax	4,112	4,139
Total payment to Province	$ 8,965	$ 9,115

Schedule IV: Other Income and Expenses

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	2008	2007
INTEREST INCOME	$ 365	$ 360
OPERATING EXPENSES		
Advertising	13	21
Amortization	52	44
Directors fees	82	70
Harmonized Sales Tax	375	306
Membership dues	18	23
Occupancy taxes	5	5
Office and miscellaneous	109	102
Office equipment	55	47
Periodicals	63	33
Postage and freight	18	14
Printing and stationery	24	27
Professional and other fees	783	559
Rent	116	113
Salaries and benefits	1,618	1,553
Telecommunications	45	40
Training	88	43
Travel	139	112
	$ 3,603	$ 3,112
DISTRIBUTIONS TO COMMUNITY PROGRAMS		
Charitable Sector Support Program *(Note 15)*	343	352
Department of Agriculture *(Note 14)*	50	50
Department of Tourism, Culture and Heritage *(Note 14)*	50	50
Nova Scotia Gaming Foundation	663	709
Nova Scotia Harness Racing Fund contribution *(Note 12)*	1,000	1,000
Nova Scotia Health Promotion and Protection *(Note 14)*	4,155	4,122
Support 4 Sport Program	2,001	373
	$ 8,262	$ 6,656

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Corporate Profile

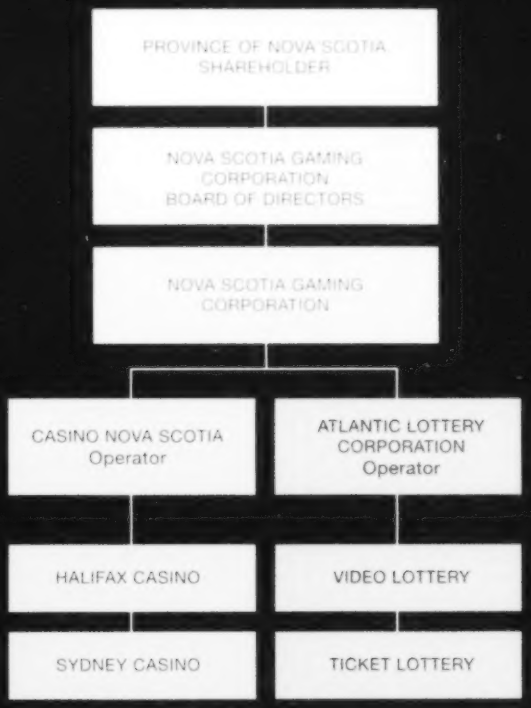
The Nova Scotia Gaming Corporation (NSGC) is a Crown corporation governed by the provincial *Gaming Control Act*.

The Nova Scotia government, and ultimately the people of Nova Scotia, are the shareholders and owners of the gaming industry in the Province. The industry is licensed and regulated by the Alcohol and Gaming Division of the Department of Labour and Workforce Development. It is managed by NSGC. The Corporation's role is to ensure the gaming industry is as socially responsible as possible, while generating reasonable profits. The provincial government determines the big picture, policy decisions about how the industry will be operated in Nova Scotia. NSGC manages and implements those decisions. The Corporation also oversees and manages the gaming operators who carry out the day-to-day business of gaming — Casino Nova Scotia and Atlantic Lottery Corporation.

Gaming revenues go directly into the general revenues of the provincial government and help pay for programs and services that benefit all Nova Scotians. In 2007–08, $153.6 million was paid to the Province to help build better roads, schools, hospitals and communities.

NSGC is recognized as a world leader in responsible gambling with more than a dozen innovative programs and projects designed to help players make informed decisions. As an industry steward, NSGC's goal is to lead a balanced, socially responsible gambling industry that is safe, regulated and accountable.

NOVA SCOTIA'S GAMING STRUCTURE



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NOVA SCOTIA
GAMING CORPORATION

responsible • progressive • accountable

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